

## Honouring Manitobans



Manitoba  
Public Insurance



Manitoba  
Public Insurance

## **Mission**

from the human  
and economic cost of  
automobile accidents.

# Corporate Values

## **At MPI we value...**

### **Our Customers**

We serve the automobile insurance needs of Manitoba's motorists based on trust, fairness, honesty and integrity, with a commitment to the highest ethical standards and excellence in service. We will always place the legitimate needs of our customers ahead of those of our own.

### **Our People**

We will provide a positive and safe environment where our staff are well trained, confident and committed to the Corporate Mission. We will provide our people with direction which is clear and consistent. Our people will have the authority that they need to do their jobs, a sense of achievement from their work, and the opportunity for career growth and advancement.

### **Working Together**

We will work co-operatively with each other and with our business associates, sharing information, ideas and resources. Each of us, in our daily work, will create a team environment, drawing on one another to do the best job possible. All communications will be forthright, accurate and honest.

### **Financial Responsibility**

MPI holds the funds of its policyholders in trust to meet the needs of our customers. MPI will manage all of its operations including the investment of these funds effectively for the long term benefit of its policyholders.

### **Excellence and Improvement**

Our customers' needs and the business environment in which we operate continue to change and so must we. Each of us must find better ways of doing things for tomorrow. Our task is to constantly improve our products, services and procedures. We will demonstrate initiative, creativity and a strong desire for personal, team and corporate success in everything we do.

### **The Community**

We encourage our people to participate actively in their communities.

### **Our Corporate Citizenship**

We will provide leadership to the people of Manitoba by conducting our affairs responsibly and professionally, demonstrating concern for and commitment to our society and the future of our province.

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# Letters of Transmittal

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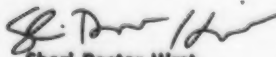
Winnipeg, Manitoba  
May 17, 2000

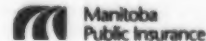
The Honourable Becky Barrett  
Minister Responsible for The Manitoba Public Insurance Corporation

Dear Madam,

In accordance with Section 43(1) of The Manitoba Public Insurance Corporation Act, I have the honour to present the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 29, 2000.

Respectfully submitted,

  
Shari Decter Hirst  
Chairperson of the Board



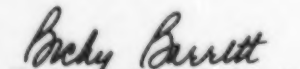
Winnipeg, Manitoba  
May 17, 2000

The Honourable Peter Liba  
Lieutenant-Governor of the Province of Manitoba

Dear Sir,

I have the honour to submit the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ended February 29, 2000.

Respectfully submitted,

  
The Honourable Becky Barrett  
Minister



# 1999 Year End Summary

(\*Unless otherwise indicated, the following are 1999/2000 fiscal year totals, covering the period March 1, 1999 to February 29, 2000)

## "Dollars and Cents"

Approximate Autopac claims incurred costs per working day: \$1.5 million

Total Autopac claim costs for injury and property damage claims, respectively (before expenses):  
\$156.3 million and \$229.6 million

Amount paid by MPI to Manitoba medical practitioners on behalf of customers: \$17.5 million

Commissions paid by MPI to independent insurance brokers for product sales: \$33.9 million

Grants-in-lieu of taxes paid to Manitoba municipalities by MPI: \$862,000

Provincial premium taxes paid by MPI: \$16.1 million (1999 calendar year)

Estimated savings to policyholders through use of recycled parts: \$7.6 million

Estimated direct savings realized through anti-fraud, anti-crime activities: \$3.3 million

Dollars invested in Road Safety programs: \$7.0 million

## "Significant Numbers"

Average number of Autopac claims reported to Manitoba Public Insurance per working day: 826

Total Autopac claims reported: 207,202

Bodily injury claims reported: 12,941

Property damage claims reported: 194,261

Total theft claims reported in Winnipeg: 7,982

Total theft claims reported elsewhere in province: 1,563

Independent Autopac broker outlets, as of February 29, 2000: 340

Calls taken by the Autopac Line: 721,977

Number of Autopac policies in force (1999 average): 774,721

Licensed drivers in Manitoba in 1999: 702,851

## Five Year Statistics

Autopac Basic and Extension	1999	1998	1997	1996	*1995
Premiums Written (\$000)	499,985	469,556	451,777	427,509	505,313
Claims Incurred (\$000)	385,877	369,411	358,129	314,382	492,128
Average Cost per Claim (\$)	1,862	1,926	1,916	1,497	1,909
Claim Expenses (\$000)	57,900	50,806	41,151	41,081	55,065
Other Expenses (\$000)	89,196	86,101	82,165	68,523	93,918
Income (Loss) (\$000)	36,733	32,364	66,050	36,434	(62,585)
<b>Total Corporation</b>					
Investments at Year End (\$000)	1,054,825	963,081	876,713	773,651	742,718
Total Assets (\$000)	1,284,017	1,187,503	1,092,648	984,855	939,339

\*1995 figures are for 16 months due to a transition in fiscal reporting periods



***"MPI is a made in Manitoba solution and is the best way of ensuring Manitobans receive excellent coverage."***

#### **MPI Board of Directors**

**Shari Decter Hirst (Chair)**

**Ed Arndt**

**Kerry Bittner**

**Tony Boustcha**

**Andrew Clarke**

**Paul Holst**

**Daryl Reid**

#### **Former members:**

**Bernie Thiessen**

**Dave Brown**

**Don Livingston**

**Ron Statham**

**Peter Wintemute**

**Carol-Ann Borody-Siemens**

**David Shuttleworth**

**Jack Penner**

**Ted Pomeroy**

I am pleased to accept a leadership role with Manitoba Public Insurance—a homegrown organization that is working hard to serve Manitobans and make the province a better place to live.

The Corporation's strong entrance into the new millennium reflects a foundation that is built on service and stability. In 1999, MPI demonstrated that public insurance remains the best way of ensuring all Manitobans receive comprehensive auto insurance coverage at a fair price. Initiatives undertaken in the last year promise significant benefits in terms of customer service as well as continuing stable and predictable premiums.

Today MPI remains an organization that is a prudent financial manager of motorists' funds. While the Corporation has the mandate to break even over the longer term, MPI achieved a net income of \$51.4 million this year as a result of increased sales of its insurance products and effective financial management of both operations and investments. MPI takes this net income and uses it to protect policyholders from rate increases made necessary by unexpected losses arising from non-recurring events or factors.

Key strategic objectives were met, potential risks reviewed and programs put into place to deal with unanticipated events. Reinsurance programs were strengthened and supported by multi-year policies.

The Corporation has developed an effective planning and decision-making template creating a progressive climate that enables staff to manage change. Within the Corporation there is a supportive environment that fosters a culture of individual growth and caring service that meets changing customer needs.

What makes MPI different from other insurance companies is the force that drives change. While the private sector is driven by profit, MPI remains focused on individualized service and keeping insurance rates at the lowest possible levels. MPI invests in auto body repair research, to help control vehicle repair costs which, in turn, helps control the amount of premium MPI needs. Similarly, the purpose of undertaking auto crime and fraud prevention, as well as road safety initiatives, is to limit the cost of claims. In all cases, the ultimate objective is the same—to lower costs and ensure most premium dollars are spent to provide benefits to Manitobans. This is why MPI exists—to provide caring, local, personal and efficient service both before and after a claim.

The Corporation's approach to investing benefits Manitobans, whether or not they drive. Investment income reduces the amount needed from premiums. Without that income, average premiums would have been \$84 higher in 1999. The Corporation also invests significantly every year in securities issued by municipal governments. They, in turn, use these funds to build and improve educational, health care and municipal facilities across the province.

MPI's approach to community responsibility recognizes that fiscal stewardship is just one measure of the vibrancy and effectiveness of an organization. MPI makes a positive difference in Manitoba communities. More than 1,200 Manitobans work directly for the Corporation in cities and towns. MPI's positive presence is also reflected in the offices and shops of insurance brokers, auto body repairers and rehabilitation partners who deliver services in Manitoba communities.

In the coming year I look forward to developments such as the establishment of an Internet presence with an information-packed website that will make coverage and service information available seven days a week, 24 hours a day. I also look forward to continued service refinements that will help make the Corporation even more responsive to individual customer concerns.

On behalf of the Board, I would like to thank my predecessor Bernie Thiessen. My thanks also go out to former directors for their positive contributions while serving on the Board during the past year.

To my colleagues on the Board of Directors, and to the management, staff and business partners of Manitoba Public Insurance, I extend my sincere thanks for your professionalism and your commitment to serve Manitobans.

**Shari Decter Hirst**  
**Chairperson**



## President's Message

Manitoba Public Insurance was created in 1971 to deliver a promise. In the face of public dissatisfaction with automobile insurers, MPI was mandated to provide comprehensive, universal coverage at a cost lower than what was offered by private companies. This mandate is still relevant as we continue to fulfill that commitment every day.

MPI must continually demonstrate that it can deliver its mandate more efficiently than other insurers. As a monopoly the Corporation does not compete for individual customers—our stakes are much higher. We compete for all or nothing. If other insurers can deliver our mandate more efficiently than we can, there is little need for our Corporation to exist. The 1999/2000 fiscal year proved, once again, that Manitoba Public Insurance is up to the challenge.

Financial stability has been achieved while maintaining low premiums. In 1999, more than 400,000 Manitoba drivers paid less for their auto insurance and MPI added five new enhancements to the Personal Injury Protection Plan including new retirement benefits and grief counselling to family members of those lost in fatal motor vehicle collisions. It marks the fourth year that universal basic insurance premiums have been held stable. Operating efficiencies allowed the Corporation to reduce the surcharge needed to rebuild the Basic Rate Stabilization Reserve.

While past industry comparisons showed only Saskatchewan had lower rates than Manitoba, an independent study of current rates recently showed that it is now, more often than not, less expensive to insure a new Ford Taurus family car in Winnipeg than in Saskatoon. MPI achieved this milestone by developing and successfully implementing a comprehensive five-year financial plan.

Our corporate target is to keep our operating costs at no more than 58 per cent of the Canadian insurance industry average. The industry measures operating efficiency by the percentage of each premium dollar that is spent on sales and administration. In 1999, insurance companies across Canada spent an average of 33 per cent on these costs. At MPI, we spent less than 18.3 per cent, enabling the Corporation to return a greater portion of premium dollars back to our customers in the form of claim benefits.

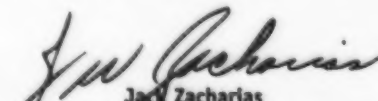
The Corporation has embarked on a course of continued improvement by re-engineering processes and shortening service cycle times. Customers graded our front-end claims service as being a satisfactory experience 98 per cent of the time. Surveys conducted after the claim was settled revealed that we still maintained a satisfaction index of almost 79 per cent. These favourable assessments reflect the work of MPI staff who characteristically go that extra mile for our customers.

MPI has a great deal to be proud of in the last year. Careful planning and outstanding teamwork ushered in the new millennium without incident at MPI. In all, nine major computer systems were upgraded on time and under budget. The Corporation also improved customer services with the introduction of company-wide service standards, new payment options and the establishment of a Fair Practices Office. Price decreases on specialty products such as lay-up policies also gave customers more choice in the past year.

A comprehensive five-year financial plan, solid stewardship by our Board of Directors and the dedication of our managers and their staff made these goals achievable.

As a prominent member of the community, MPI takes its social responsibilities seriously. The Corporation recognizes that it can enhance the social fabric of life in Manitoba communities not only by providing excellent service and important road safety programming, but also by supporting community-based initiatives through sponsorships and other types of support. This past year, I am proud to say that MPI staff not only volunteered at the Pan Am Games but also worked with charitable and community organizations throughout the year. On average, MPI staff volunteers gave about 143 hours each to their communities, and this generosity was often backed by MPI corporate support for their volunteer agencies.

Manitoba Public Insurance continues to honour its commitment to Manitobans. I would like to thank the MPI Executive and staff for another year of strong performance.

  
**Jack Zacharias**  
President and Chief Executive Officer



*"Favourable assessments reflect the work of MPI staff who characteristically go that extra mile for our customers."*

### MPI Executive

**Jack Zacharias**

President and  
Chief Executive Officer

**Wilf Bedard**

Vice President, Corporate Development

**Robert Best**

Vice President  
Corporate Relations

**Clarke Campbell**

Vice President  
Corporate Affairs, New Business &  
Chief Information Officer

**John Douglas**

Vice President, Corporate  
Public Affairs

**Barry Galenzoski**

Vice President, Corporate Finance &  
Chief Financial Officer

**Kevin McCulloch**

Vice President, Corporate Legal  
General Counsel &  
Corporate Secretary

**Marilyn McLaren**

Vice President  
Corporate Insurance Operations





## MPI is committed to our partnerships

We believe strategic alliances can reduce costs and improve our services

### MPI and I-CAR are "Gold Class"

To ensure there are safely repaired vehicles travelling on Manitoba roads, MPI partners with the Inter-Industry Conference on Auto Collision Repair (I-CAR).

I-CAR is an international organization that provides a means of teaching the most up-to-date repair techniques to those learning the trade through courses and a mechanism for those already in the trade to keep informed of the latest innovations in auto body repair.

MPI maintains one of two repair training centres in the province. Through this facility, MPI staff work with auto body repair shops to deliver training sessions that are part of the Gold Class I-CAR certification program. MPI is proud to sponsor I-CAR training because it sets the standard for auto body repair that ensures passenger safety and cost efficiency.

In fact, thanks to MPI's commitment to using I-CAR standards as the basis of our body shop accreditation program, Manitoba repair shops represent more than half—52 per cent—of all Gold Class certified shops in Canada. Our commitment to high quality vehicle repair has led to Manitoba being, per capita, the most highly I-CAR trained region in North America, with 350 accredited repair shops.

*"Adhesive bonding is such a safe process it is even used on the space shuttle. Our customers are getting a better repair and saving money."*

Sid Van Oeveren

Training & Research Technician



# Collaborating with Strategic Partners

## Saving customers time and money

When MPI was created in 1971, its mandate was to provide comprehensive insurance coverage and satisfactory claims service at a cost lower than that offered by private companies. Twenty-nine years later MPI is still successfully meeting its mandate.

By keeping expenses low, MPI is able to return 88 per cent of premium revenues in the form of claim benefits to our customers and, at the same time, keep premiums affordable.

One reason MPI is so successful is because of the research it conducts. Currently, our research specialists are investigating the adhesive bonding of auto body panels to vehicles. MPI is the only insurer in Canada engaged in this type of research.

Adhesive bonding is a safe and time-saving process that can also protect the vehicle from corrosion problems after the repair. The savings potential is startling. With this new process, an 18- to 20-hour job can be completed in 10- to 12-hours. When you consider MPI replaces about 1,000 vehicle roofs every year, a \$450 savings on labour costs could translate into a \$450,000 savings for premium-payers. What's more, this process can be applied to roof panels, door skins, quarter panels and truck box sides.



## A shared commitment

Rempel Insurance Brokers in Morris is one of 180 rural brokers serving as MPI's link to customers in 135 communities across Manitoba. Ward Keith, Manager of Broker Support Services at MPI, says rural brokers "do more than just process transactions for us."

"They know our customers very well," Ward says. "They counsel them on their vehicle insurance needs, respond to their inquiries and act as our sounding board."

"It's like one-stop shopping," explains owner Dale Rempel. "In addition to Autopac renewals, new registrations and time payments, we handle driver licences, and give advice to customers about vacationers' policies and health insurance." The agency also has a very good record in Special Risk Extension (SRE) sales.

Ward recognizes the "tremendous value" MPI and its customers get from rural brokers like Rempel. "We're proud of the fact that we have such excellent representation in so many towns and communities."



## Flexible payment options introduced

MPI was proud to introduce the new Auto-Pay program this year to provide Autopac customers with more flexible payment options, including monthly financing by direct withdrawals and credit card payments.


Auto-Pay was made possible through the joint commitment of the Corporation and Autopac brokers to continue providing customers with the best possible products and services.

MPI launched a training program in the fall to inform brokers about Auto-Pay and prepare them to provide the new payment options to the public. The training included regional seminars, one-on-one broker training, an on-line Auto-Pay Certification, as well as an extensive pre- and post-implementation communication strategy.

"The brokers were very receptive to the new program," says Ward Keith, MPI Manager of Broker Support Services. "They share our desire to provide the best service we can to our policyholders."

In addition to providing customers with more payment options, the new plan will allow brokers more time for one-on-one discussions with customers to ensure their coverages meet their individual needs.





## MPI protects Manitobans

Road safety goes to the heart of why MPI exists

### MPI reaches out to young students

MPI took a big step this year toward creating a new generation of RoadWise Manitobans. The RoadWise Children's Traffic Club aims its road safety message directly to school-aged and younger children.

The joint initiative with Manitoba Education and Training began with more than 18,000 youngsters enrolled at 572 day-care centres across the province. The pilot program curriculum is divided into easy-to-understand learning modules that include safety awareness, road and vehicle dangers, riding the bus and personal safety issues.

MPI and the provincial education department are working together to expand the program, over time, into all Manitoba elementary schools as part of the core curriculum. Once fully implemented through kindergarten to Grade 8, the program would bring the RoadWise safety program to more than 200,000 children. It would also dovetail with MPI-sponsored driver education courses at secondary schools.

"This initiative is an investment toward our common future," says James Aryee, Program Development Specialist with MPI's Road Safety Department. "The children learning about safety today are the drivers of tomorrow."

*"This initiative is an investment in the drivers of tomorrow."*

James Aryee

Program Development Specialist

MPI's road safety strategy is to facilitate life-long safety learning. An important part of this involves helping new drivers start off on the right foot through our High School Driver Education Program. To make "Driver's Ed" even more accessible to Manitoba teenagers, we cut course fees for students in half from \$100 to \$50. The reduction seemed to strike the right chord with students across the province, as registration numbers rose.

"Some students were not taking the course simply because of the cost," says Lou Gervino, Driver Education Supervisor. "We believed lowering the fee to \$50 would enable more young people to benefit from this safe driving training."

The number of students signing up for driver education courses at 150 schools across Manitoba has increased by 10 per cent this year to 11,000. The increases were most dramatic in some rural and inner city schools where registrations increased between 35 and 40 per cent.



IVER

## THE OLDER AND WISER DRIVER

Every year, MPI invests about \$7 million in road safety initiatives designed to protect Manitobans from the human and economic cost of vehicle collisions. The Corporation's top three safety priorities are preventing drinking and driving, preventing speeding and promoting the use of occupant restraints.

In Manitoba, an average of 22 people are killed and 1,500 are injured as a result of speeding drivers every year. Just 15 clicks over 80 km/h doubles the chance of death or serious injury if you are involved in an accident.

Spring and fall speed campaigns, sponsored by MPI in partnership with the Manitoba Road Safety Coordinating Committee, are aimed at getting drivers to take speeding seriously. In addition to targeted community speed enforcement efforts, MPI's initiative included a comprehensive public awareness campaign emphasizing that *Speed Kills—Families can be destroyed. Just like that.*

More than 1,000 drivers in Winnipeg were charged last spring for travelling 10 km or more above the posted speed limit.

The message appears to be reaching people. Survey results indicate that about 75 per cent of Manitobans feel speeding is a serious problem in their own neighbourhood.



## The Older and Wiser Driver

"Sometimes your driving skills can change without you even being aware of it," says Harold Bastable, an 81-year-old driver who confesses to have been driving since before he was old enough to legally sit behind the wheel.

That's why Harold is so supportive of *The Older and Wiser Driver* handbook, an educational resource designed by MPI in co-operation with the Manitoba Seniors Directorate. The focus of the booklet is to help seniors stay on the road longer and drive safely to protect themselves and others who share the road. It includes a self-rating quiz along with suggestions to help older drivers adjust their driving habits to cope safely with their changing abilities.

The booklet gives seniors a good indication of how well they are doing and what steps they can take to become safer drivers. MPI is working with the Manitoba Seniors Directorate and seniors' organizations to help get this message out—to a receptive target audience.

*The Older and Wiser Driver* is already a best-seller in Manitoba with 20,000 copies distributed within the first month of publication. A second run will ensure older, wiser drivers throughout Manitoba will benefit from the advice this booklet has to offer.







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## Our customer service goal:

To deliver insurance protection which meets the highest standards of customer service

### Supportive case management

At MPI we strive to provide compassionate service and fair compensation to seriously injured accident victims, for as long as needed. Our goal is to return accident victims to the state they were in before the accident.

MPI developed an innovative "one-adjuster, one-company" approach to rehabilitative case management to ensure that more people who are recovering from vehicle collisions would receive personalized service.

This approach was developed specifically to handle claims arising from large organizations. One such organization is Winnipeg's Health Sciences Centre (HSC). The hospital complex employs over 6,000 people and, too often, this would result in several different adjusters dealing with injury claims made by HSC staff.

"Sometimes, people who are injured have to deal with a lot of anxiety about returning to work," says MPI Senior Case Manager Vince Merke. "By encouraging a one-adjuster approach we can provide more consistent support to injured people who are making a sincere effort to get back to work."

MPI is recognized throughout Canada for its approach to caring and supportive rehabilitative case management. Our focus in the coming year will be to reinforce and enhance our rehabilitative care standards to help more injured persons get back as much of their pre-accident life as possible.

*"Setting up a temporary centre to deal with the aftermath of the hailstorm was the best way to meet our customers' needs."*

Bob Agnew



# Our people put customers first

## Responding to customers' needs

For Bob Agnew, a claims adjuster in Winkler, there was no question about what had to be done.

"In a situation like this, the only way we could provide proper service was to set up a temporary location."

Bob was referring to a severe hailstorm that ripped through the Altona area last August, resulting in about 700 claims.

MPI has experience dealing with hailstorms. In 1996 a hailstorm ravaged Winnipeg and neighbouring communities causing 23,500 claims. MPI dealt successfully with this extraordinary influx of claims by implementing a pre-existing catastrophe plan designed to enable the Corporation to respond to customers' needs regardless of the scale of the crisis.

MPI put its plan into effect by opening a temporary claim centre at the Altona Sunflower Gardens Arena. A full complement of adjusters, estimators and clerical staff came from nearby claim centres and staffed the new centre for the time it took to make sure all the claims were handled.

"Our estimators normally go to Altona on Thursdays. That just wasn't going to cut it," Bob explains.

"We were pushing through 120 cars a day. We all pulled together to get it done."

## Putting our customers first

When MPI was created in 1971, we pledged to make insurance services readily available for our customers province-wide.

To fulfill that promise MPI operates 22 claim centres at 13 locations across Manitoba. The Corporation's extensive network of service facilities means most of the Manitoba population is within easy driving distance of a claims office—accessibility that did not exist prior to the introduction of Autopac.

Motorists also have easy access to vehicle registration and Autopac insurance services through several distribution systems which cover the province, including 340 Autopac broker offices, 10 Division of Driver and Vehicle Licensing (DDVL) outlets and two MPI customer service centres in Winnipeg.

In Winnipeg, the friendly, knowledgeable Call Centre staff provide consistent quality service for our customers over extended hours. Last year, the centre answered 721,977 calls.

## On the road for service

Kim Kehler has been on the road delivering personal service for 15 years. At least one day a week the Steinbach claims adjuster leaves her office to provide service to MPI customers in neighbouring communities.

"It's a great way to get to know our customers and our brokers too," she says. "In smaller communities where we don't have claim centres, brokers make their offices available for us to see our claimants."


Although MPI has 12 rural claim centres located in every sector of the province, some customers have difficulty getting to them. That's why MPI provides service to another 72 communities through the use of telephone reporting and regular "road runs."

"I think it enables me to provide better customer service," Kim says. "In small communities everyone knows everyone else and that gives me an opportunity to build a relationship with the customers."

MPI prides itself on providing exceptional front line service to our customers no matter where they live. Throughout northern and southern Manitoba, rural claim centres mean rural service.

"If someone from Steinbach can't get away from their business to come into the claim centre, either an adjuster or an estimator will pop in a car and go to them—most customers being only five to 10 minutes away," Kim says.





## MPI is proactive in your community

We are an active member  
of the communities in  
which we do business

### Healthy living and active aging

MPI celebrated the International Year of the Older Person in 1999 cheering on and sponsoring the Manitoba Society of Seniors Games (MSOS) in Carman. More than 4,600 athletes came from all over Manitoba to participate in 19 events at regional and provincial finals.

Seniors account for more pedestrian deaths in Manitoba than any other age group. Studies also suggest that senior drivers account for a high level of accidents for the number of kilometres driven. With one in five Manitobans already over the age of 55 and the number expected to grow to one in four within five years, MPI believes sponsoring events like the MSOS Games provides a valuable opportunity to raise safety awareness and build a relationship with customers.

For MSOS, promotion of active living and healthy aging is always high on the list of priorities, and the Games are an excellent example of that commitment. By supporting the games, MPI contributes to that enjoyment and healthy lifestyle.

*"It makes me proud to work for a corporation that stands behind its word to be a part of the community. When the community needs us, MPI is there."*

Dee Dee Budgell

Community Relations Director





# Contributing to the community

## MPI is a part of the community

A tragic fire in a St. Vital home in Winnipeg resulted in two children losing their lives.

MPI staff from that community responded by organizing a fundraising social to help the surviving family members.

"Community spirit is important," says Dee Dee Budgell, MPI Customer Relations Officer and one of the social's organizers. "I live in St. Vital and some of us from the claim centre actually witnessed the fire."

Most of the proceeds from the social and silent auction went directly to the family, paying funeral expenses and providing a trust fund for the surviving child.

The remaining funds purchased two TVs, two Nintendos, two VCRs and specialized stands for the Children's Hospital in Winnipeg.

"It was amazing," Dee Dee says. "The social was sold out but people just kept coming and dropping off cheques—some of them for \$100."

Dee Dee makes special note of MPI's support.

"It makes me proud to work for a corporation that stands behind its word to be a part of the community. When the community needs us, MPI is there."

## Taking safety on the road

MPI's Special Risk Extension (SRE) division is bringing its trucking customers a state-of-the-art diagnostic unit designed to promote safer vehicles on roads and highways.

The Vehicle Inspection Trailer (VIT) provides an on-site vehicle brake and suspension inspection service for semi-trailer tractor units, trailers, buses and other large highway vehicles. It is Canada's only portable safety inspection trailer provided by an insurer.

The VIT is a mobile service that MPI provides at no charge. It collects safety data from a detailed series of tests on the brake system, steering suspension, axle weight, brake-line air pressure and foot pedal force to determine the roadworthiness of the vehicle.

The detailed safety printout helps fleet owners identify trouble areas before they become dangerous problems. Trucking firms have responded positively to the VIT. Last year it was sent to 40 client locations and many are making it part of their regular safety program.

MPI and our commercial customers know that regular vehicle safety inspections can reduce downtime and expensive repairs as well as make Manitoba roads safer.

## Wheels under the Games

Starting even from before the torch was lit and continuing right through to the exhilarating final seconds of the closing ceremonies, volunteers from MPI played an important role in last summer's Pan American Games in Winnipeg.


Eighty corporate volunteers helped direct visitors at the opening and closing events. Many others volunteered on their own, handling duties from officiating and acting as referees and media assistants to being escorts and drivers for visiting dignitaries and VIPs.

MPI was known as the "wheels under the Games" in recognition of the insurance it provided for 917 vehicles that were used to transport officials, athletes and delegations between sports venues.

The community spirit Manitoba has become famous for shone once again as, overall, some 20,000 volunteers made the XIII Pan American Games a success. MPI staff enjoyed the wonderful sense of camaraderie the Games created, whether they were working at the parking lot or assisting at a particular sport venue.

"The participation of Manitoba Public Insurance and our employees in the 1999 Pan Am Games was truly a gold medal performance," MPI President and Chief Executive Officer Jack Zacharias says.





## Making a difference: We contribute to the health, safety and well-being of Manitobans

### Turning up the HEATT

Manitoba Public Insurance turned up the HEATT on auto crime in 1999 by joining with Manitoba Justice, police agencies and community crime prevention groups to battle auto theft and vandalism in the community.

The Help Eliminate Auto and Truck Theft (HEATT) grant program offered \$1.5 million for communities to develop and implement home-grown solutions to local auto crime problems. Members of the HEATT Committee reviewed dozens of community-based proposals for fighting auto crimes, such as theft and vandalism.

One of the grants awarded led to the formation of the Theatre District Safety Patrol in downtown Winnipeg—an area infamous for auto theft.

The patrol provides a visible security presence in the vicinity of the theatre venues during scheduled events. In addition to providing a sense of security to patrons and community members, the patrol distributes auto crime prevention-related material.

The patrol's efforts are working. Last year 16 vehicles were stolen or vandalized in the Theatre District area. Since the patrol started, incidents have dropped by 50 per cent. There were only eight occurrences over the same time period this year.

"Manitoba Public Insurance has always given a high priority to auto crime," says Jack Zacharias, President and CEO of MPI. "We have always been involved in raising public awareness of the issue and educating motorists on ways to protect themselves and recently we expanded the fight by funding a special auto theft police unit."

"We're now taking the fight down to the community level with local solutions to local problems. We're pleased to support Manitoba volunteers who are dedicated to making their communities safer places to live."

*"This is a good  
experience for me.  
Working at MPI is cool."*

Fredrick Yarenco



# Manitoba

## Active community member

MPI has a long-standing tradition of being an active community member. This is based on the belief that as a Crown corporation, MPI is a good citizen that can play a part in making Manitoba a great place to live, work and raise a family.

We demonstrate this commitment by supporting many charitable organizations including the United Way, Rossbrook House and Manitoba Crime Stoppers. We also provide funding for research activities that will ultimately benefit the spinal cord and brain-injured victims of automobile crashes, as seen through our support of the Manitoba Neurotrauma Initiative.

Contributing to the ongoing health, safety and well-being of Manitoba drivers goes to the very heart of why MPI exists. That's why we took our RoadWise safety messages out to 250 community events throughout the province last year. Outreach activities include training firefighters to conduct child car seat checks, talking to teenagers about high risk behaviours such as drinking and driving, and bringing the RoadWise message into the community by participating in fairs and festivals throughout Manitoba.

In Thompson, all claims centre staff participated at the Thompson Winter Fair—delivering the message that road safety is a life skill that you are never too young to learn.

## More than "bricks and mortar"

In a part of Winnipeg that many have given up on, Claim Centre Manager Stan Scoble believes in his community.

As he describes it, the claim centre he manages in Winnipeg's core area is more than just bricks and mortar. "We are a part of this community," Stan explains. "That is why the building is often used for community events."

Stan is also the active chairperson of the North End Renewal Corporation and the Mosaic Market, two groups that are focused on developing community pride and improving the quality of life for area residents.

In a pilot project with the community last year, Stan hired two Aboriginal students at the North Winnipeg Claim Centre. The goal is to develop work skills, build confidence and encourage a strong work ethic.

"It's a good experience because I'm in a work environment that is teaching me to work on a team with all different people," says Fredrick Yarenco, a student from Children of the Earth High School.

Fredrick represents the foundation of a comprehensive Aboriginal employment strategy at MPI. Stan and human resources manager John Shields are leading a project team that will develop training and recruitment strategies.

"The Aboriginal community is a vibrant and important part of our community," Stan says. "We see great opportunities in the future for Aboriginal employees at MPI."

## Investment enriches community life

A school gym gets fixed up in Forrest, Manitoba, as MPI investment dollars work in the community to improve the quality of life throughout the province.

MPI's solid investment portfolio does more than generate revenue that helps reduce premium costs for our customers. By concentrating investments in Manitoba, through purchase of provincial, municipal, hospital and school bonds and debentures, MPI ensures its investment dollars benefit local communities.

The refurbished gymnasium in Forrest Elementary School is a typical example of the impact MPI's investment dollars can have on a community. School Principal Bruce Stevens said that MPI's investment of \$141,000 in the Rolling River School Division has provided social, recreational and cultural dividends, not just for his K-9 students, but for the neighbouring high school, the school division as a whole and the surrounding communities.

"Because our gym is larger now and has facilities like new bleachers and seating that can accommodate 300 to 400 people, we can host tournaments for teams in the school division, stage concerts, accommodate community indoor sports like volleyball and other local after-school events," Stevens said. "In short, this kind of investment benefits everyone in Forrest and the surrounding area."

MPI investments benefit all Manitobans. Presently the Corporation holds \$338 million in municipal bonds—more than any other Crown corporation.



# Fair Practices

## Fair Practices Office Established by MPI

One of MPI's core corporate values is to put our customers first.

The integral role this value plays in every initiative MPI undertakes was never more evident than it was in 1999. The introduction of customer service standards, more payment options, price decreases on specialty products such as lay-up policies and the establishment of the Fair Practices Office represent major service improvements implemented during the past year.

Most large organizations have rules governing their actions and decisions. MPI believes that looking at ourselves from our customers' perspective is healthy. That's why MPI introduced the new arms-length office charged with examining policies and procedures, and even legislation, that affect customer service. In this way, MPI hopes to ensure all customers receive the rights and benefits they are entitled to.

The new office reports directly to President and Chief Executive Officer Jack Zacharias, who explains the need for this office. "As times change, we realize our policies and procedures may need to change too. Customer satisfaction surveys tell us that while Manitobans appreciate our service efforts, our front-line departments can't take the time away from delivering that high level of service and do an in-depth analysis of all our business rules."

At the same time, the best understanding of how our policies and procedures affect customers often comes from those who have spent a great deal of time working with them. The Fair Practices Office is staffed by people with a broad range of MPI front-line experience, including manager Ted Letkemann, who has spent most of the past 19 years involved with injury claims in various capacities.

As part of the process of assessing MPI's policies, the Fair Practices Office reviews all formal Ombudsman inquiries and other issues that affect service. While Fair Practices promotes fair process, it is not a formal avenue of appeal. It can recommend that an issue be reviewed and can also alert the President and CEO that a policy may be unfair. Individual customers who bring concerns to FPO will receive assistance in determining the best "next step" for their particular issue. In some instances, individual concerns may remain with Fair Practices.

"Because Fair Practices operates at arm's length from all MPI departments, Ted and his staff are able to objectively review our policies and procedures," Zacharias says.

## Administrative Offices Winnipeg Locations

### Territory 1



**North Winnipeg Claim Centre**  
445 King Street  
R2W 5H2  
Fax No. 942-8317

**West Winnipeg Claim Centre**  
125 King Edward Street East  
R3H 0V9  
Fax No. 783-0374

**South Winnipeg Claim Centre**  
930 St. Mary's Road  
R2M 4A8  
Fax No. 254-0308

**Administrative Office**  
9th Floor, 234 Donald Street  
Box 6300  
R3C 4A4

**Physical Damage Centre**  
1981 Plessis Road  
PO Box 45064  
Regent Postal Outlet  
R2C 5C7  
Physical Damage Centre 985-7771  
Commercial Vehicles 985-7877  
Holding Compound 985-7766  
Salvage Compound 985-7844

**Casualty and Rehabilitation Claim Centre**  
832 - 234 Donald Street  
Box 6300  
R3C 4A4  
985-7200

**Rehabilitative Case Management Claim Centre**  
832 - 234 Donald Street  
Box 6300  
R3C 4A4  
985-7200

**Badly Injury Claim Centre**  
1200 - 330 Portage Avenue  
Box 6300  
R3C 4A4  
985-7000

**South Central Winnipeg Claim Centre**  
420 Pembina Highway  
R3L 2E9  
Fax No. 284-7675

**North Central Winnipeg Claim Centre**  
1103 Pacific Avenue  
R3E 1G7  
Fax No. 783-2764

**The Autopac Line**  
Winnipeg: 985-7000  
Outside Winnipeg: 1-800-665-2410  
Hearing Impaired Line: 985-8832



# Corporate Governance

Our continuing commitment to excellence in corporate governance is a reflection of our desire to meet the evolving needs of our valued stakeholders. Corporate governance has played a key role in the formation of all MPI's policies and in our strategic planning. This ongoing process is continuing to enhance the partnership between the Board, Senior Management and the personnel of the Corporation.

Corporate governance excellence is defined by how well the Corporation serves the needs and purposes of its stakeholders.

The Corporation's Board of Directors through direct Board activity and through the various committees of the Board continued to devote a significant portion of its time and effort ensuring the implementation of good corporate governance at MPI.

Manitoba Public Insurance is proud of the performance achieved in 1999. Many of the year's highlights are featured in this annual report, which reflects our collective accountability. We continue to move on a path that builds strength through service excellence and achieves financial stability for our stakeholders and our customers.

## and Service Centres Provincial Locations

### Territory 2



**Arborg Claim Centre**  
Arborg Mall, Highway #68  
Box 418  
R0C 0A0  
376-5815

**Beausejour Claim Centre**  
810 Park Avenue  
Box 100A  
R0E 0C0  
268-4250

**Brandon Head Office/  
SRE/Claim Centre**  
731 - 1st Street  
R7A 6C3  
729-9400 (Head Office/SRE)  
729-9555 (Claim Centre)  
1-800-852-2743 (Brandon rural)

**Dauphin Claim Centre**  
217 Industrial Road  
Box 3000  
R7N 2V5  
622-2750

**Portage la Prairie Claim Centre**  
2007 Saskatchewan Avenue  
West  
Box 1150  
R1N 3J9  
856-2600

**Selkirk Claim Centre**  
630 Sophia Street  
R1A 2K1  
482-1400

**Steinbach Claim Centre**  
91 North Front Drive  
Box 2139  
R0A 2A0  
326-4453

**Winkler Claim Centre**  
600 Memorial Drive  
Box 1990  
R6W 4B7  
325-9538

### Territory 3



**Thompson Claim Centre**  
53 Commercial Place  
Box 760  
R8N 1N5  
677-1400

### Territory 4



**Flin Flon Claim Centre**  
8 Timber Lane  
Box 250  
R8A 1M9  
681-2200

**Swan River Claim Centre**  
125 - 4th Avenue North  
Box 1959  
R0L 1Z0  
734-4574

**The Pas Claim Centre**  
424 Fischer Avenue  
Box 9100  
R9A 1R5  
627-2200

# Management Discussion

The true strength of a corporation can be measured in many ways—its financial stability, the quality of its products, the compassion and fairness inherent in the way it deals with customers and the dedication of its workforce.

As Manitoba Public Insurance closes off the 1999/2000 fiscal year, we take considerable pride in living up to these measurements. The evidence is clear and the benefits are widespread. For example, in a year in which premiums were reduced for more than half our customers, we also achieved a strong financial return that enables us to lay the groundwork for price stability for years to come. Corporate reserves, which help protect the driving public from fluctuations in premiums, have also been strengthened. And, just as importantly, we have been able to enhance benefits to claimants and expand our service to customers.

In a year of many highlights, management wishes to call attention to two specific achievements that demonstrate the strength of this organization. These examples point to the Corporation's ability to manage risk and also highlight the talents of our employees to manage and turn change into an organizational strength.

## **The "Y2K" Bug**

For thousands of companies around the world, the dawn of a new millennium posed an unprecedented technical danger. Preparing for Year 2000 (Y2K) required two plans—one to overcome potential internal computer system problems and another to respond to possible failure of infrastructures such as electricity or water.

MPI realized the magnitude of the problem early and prepared a series of plans to deal with scenarios that ranged from complete systems failure to minimal disruptions. The Y2K plan called for a comprehensive review of all our computer systems and the development of action plans to prepare them for the future. Thanks to the dedication and hard work of our staff, the work on nine different computer systems was completed on time and under budget.

The process was managed to include schedules for staff training and both individual component and enterprise testing. In fact, within 12 hours and 18 minutes of start-up after January 1st, the entire MPI system was operational—ready for our customers' use. The Corporation not only passed the Y2K test but also gained experience simulating its contingency plan that was designed to cope with natural or man-made disasters. By all measures, our actions were a success.

## **The "CARS" Project**

To ensure MPI was positioned to continue to meet customer expectations, the Corporation replaced its claims reporting system during the fiscal year.

The Claims Administration and Reporting System (CARS) would challenge MPI's ability to manage change as more than half our staff moved from a paper-based system to an on-line environment. As the program neared its final stage, management estimated that MPI productivity could decline by more than 25 per cent in the first few months as employees began working with the new system. This lost productivity would mean greater customer inconvenience, lower employee morale and higher costs for the Corporation.

A change management plan was implemented. Our goal was to create a supportive atmosphere built on a foundation of open communication, formal training and individual support. Employees were introduced to the new technology as it was phased into the workplace.

# Management Discussion

Even though the project was one of the largest technological efforts in Manitoba, it was introduced across the province without incident or major fault. The entire process did not result in any loss of productivity and, more importantly, was completely transparent to our customers, who did not experience any reduction or delay in service.

These efforts to manage change and mitigate risk were praised in 1999 by the internationally-renowned GartnerGroup, as well as the provincial Crown Corporations Council and Manitoba's Public Utilities Board.

## **Continuing to Deliver on the Promise**

As MPI enters the new millennium, it continues to fulfill the promise of delivering a universally available insurance product that provides comprehensive coverage at a very competitive price.

The Universal Compulsory Automobile Insurance Program (Basic Autopac) consists of three parts:

- Coverage for accidental vehicle damage.
- Up to \$200,000 of coverage for third party claims made against a policyholder.
- The Personal Injury Protection Plan which provides coverage for all Manitobans in the case of injury or death caused by an automobile anywhere in Canada or the United States. This plan includes:
  - Income Replacement Indemnity
  - Medical and Rehabilitation Expenses
  - Personal Care Expenses
  - Death and Funeral Expenses
  - Student Indemnity
  - Special Expenses
  - Permanent Impairment Payment

As well, many Manitobans also choose to supplement their Basic Autopac coverage with optional Autopac Extension products such as additional third party liability coverage. MPI offers optional Autopac Extension coverage, as well as specialized Special Risk Extension coverage, such as commercial trucking policies, in competition with private sector insurers.

## **Ensuring Fair and Stable Premiums**

No one wants to pay more for their insurance than they have to. Before MPI was created, Manitobans complained that the amount they paid for auto insurance was too heavily influenced by the driving habits of people in larger centres such as Toronto, Montreal and Vancouver.

Since its inception, MPI set a goal of ensuring all drivers pay no more than their fair share of the insurance cost. The Corporation has continued to refine the way that it sets its rates to reduce cross-subsidization between classes of vehicles, driver classes and geographic areas.

Over the years, MPI has moved from across the board premium changes to the implementation of a system that evaluates the relative risk of each customer. During the past fiscal year, MPI's efforts mean that cross-subsidization has been virtually eliminated in the Manitoba vehicle fleet.



# Management Discussion

Manitobans also want stable insurance rates. That is why MPI has set out a goal of long-term financial stability. MPI has successfully rebuilt its Rate Stabilization Reserve (RSR). The RSR helps protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events and factors.

Reaching the RSR target has allowed MPI to reduce rates by one per cent this year. The latest reduction in MPI's overall revenue requirement translated into lower insurance rates for more than half of all policyholders. The average basic premium in Manitoba fell to \$524 from \$552, a decrease of \$28.

Keeping costs at their lowest level is a long-term commitment at MPI. If asked, most Manitobans would say that good value for their insurance dollar would limit rate increases to inflation. In fact, the cost of the basic insurance program over the last 29 years has increased at less than the rate of inflation.

## **Key Financial Highlights**

MPI recorded a net income of \$51.4 million for 1999/2000, up from \$38.3 million for the previous year. The majority of this increase comes from earned revenues that increased year over year by \$26.3 million. The Manitoba vehicle fleet expanded at a faster rate than had been forecast and new vehicle acquisitions grew at a higher than anticipated rate.

Manitobans also expect their insurance company to provide services in a cost-effective way. MPI's mandate is to deliver a comprehensive insurance product at the lowest possible cost. The Corporation's goal is to limit operating costs to 58 per cent of the Canadian insurance industry average. For the past fiscal year, these costs were held to just over 52 per cent of the Canadian industry average. And, for the past four years, MPI's basic operating expenses—operating costs, commissions, premium taxes, road safety and regulatory/appeal expenses—have remained below 18.3 per cent of total net premiums earned, a figure well below industry targets.

## **Superior Service, Accountability and Benefits**

But price cannot be the only thing that drives MPI. Our customers expect superior levels of service and accountability. During the year, MPI began developing customer service measures to ensure the Corporation delivers consistent, superior service.

Accountability applies in many other ways as well. Virtually all claims or coverage decisions made by MPI can be appealed through a variety of simple processes resulting in independent decisions that are binding on MPI. On a broader level, the Corporation regularly holds itself accountable to the Public Utilities Board process for its rates and to customers on service and performance through a series of regional public meetings.

In 1999, MPI introduced a new measure of accountability designed to apply the tests of fairness to the Corporation's policies and procedures. The Fair Practices Office was formed as an arm's-length group of professionals with the mandate to review all MPI processes and benefits and make recommendations for improvements when warranted.

# Management Discussion

Adopting customer service standards has resulted in service improvements by shortening business processes, extending hours of service and increasing the support we provide to seriously injured people. For example, just five years ago it took up to 10 working days to release vehicles towed to our compound; it took just two days last year. During the year under review, the Corporation also expanded benefits under the Personal Injury Protection Plan and decreased the caseload of our certified rehabilitation case managers to improve the support given injured persons and their loved ones throughout the province.

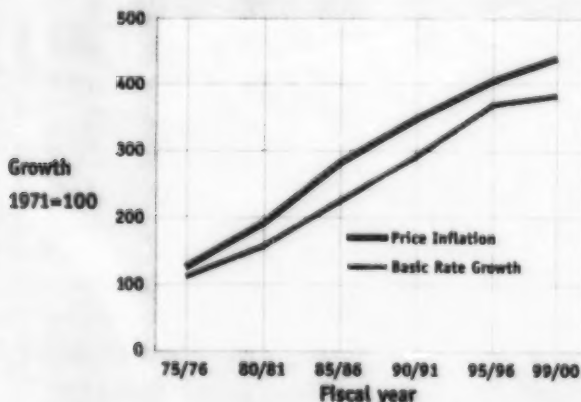
An automobile accident is never a pleasant experience. It is important that MPI makes the aftermath of an accident as painless as possible. Last year, MPI expanded the hours during which claims service was available. The Corporation also reinforced its commitment to serve Manitobans in their home communities. Every week rural adjusters visit 72 towns and villages throughout Manitoba, bringing service to customers who cannot readily visit one of our 12 rural centres.

MPI delivers low rates, but not by cutting benefits to Manitobans. During the past year, MPI paid out nearly 88 cents in claims payments for every \$1 of premium collected. That is above the Corporation's own target of delivering at least 85 cents in benefits for every \$1 of premium and is significantly better than the Canadian industry target of 67 cents.

## Successful People, Successful Organization

MPI's success can be directly tied to the Corporation's climate of continual improvement on an operational and an individual basis. The Corporation believes it can attract and retain highly skilled and motivated people by offering the opportunity for life-long learning through ongoing training and staff development.

In 1999, each employee completed an average of six days of formal training—well above the national average. In addition, MPI continues to demonstrate its commitment to a strong, well-educated workforce through a series of programs designed to encourage employees to access formal educational training at the entry, technical and management levels.



**Basic Autopac  
Rate Growth  
Compared to  
Inflation**

# Financial Results for Operations

## Automobile Insurance Division

Basic Autopac, Autopac Extension and Special Risk Extension (SRE) provide distinct but complementary insurance products to Manitobans.

The Basic Autopac package—no-fault injury compensation benefits, \$200,000 third party liability coverage and all-perils coverage—is mandatory for Manitoba-registered automobiles. Many Manitobans supplement their basic policies with optional Autopac Extension coverage, which Manitoba Public Insurance offers in competition with private insurance companies.

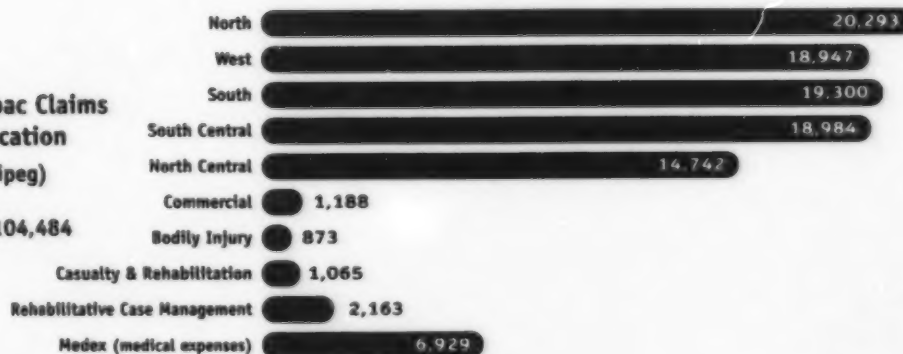
Special Risk Extension (SRE), also operating in the competitive market, provides optional coverage for specialized risks. These include coverage for large commercial trucking fleets, vacationers' policies, depreciation coverage for new vehicles and new leased vehicle protection.

Autopac and SRE reported a combined net income of \$50.9 million from March 1, 1999 to February 29, 2000. Together with a net income of \$0.5 million from discontinued operations, this resulted in a corporate net income of \$51.4 million. This report shows \$79.0 million in retained earnings including SRE and Autopac Extension retained earnings of \$75.8 million and retained earnings of \$3.2 million from discontinued operations.

As of February 29, 2000, the Basic Rate Stabilization Reserve, which does not include Autopac Extension or Special Risk Extension business, stands at \$104.9 million, increasing from \$64.4 million as of February 28, 1999. This reserve is required to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events and factors.

## Autopac Claims by Location (Winnipeg)

Total 104,484



# Financial Results for Operations

(continued)

## Autopac Operations Continue to be Strong

There were 207,202 claims reported in Manitoba during 1999/2000, contributing to total Autopac claims incurred of \$385.9 million, excluding claims expenses. The number of claims reported in the fiscal year increased by 15,400, or 8.0 per cent. The average cost per claim decreased by \$64 from \$1,926 in 1998/1999 to \$1,862 in 1999/2000.

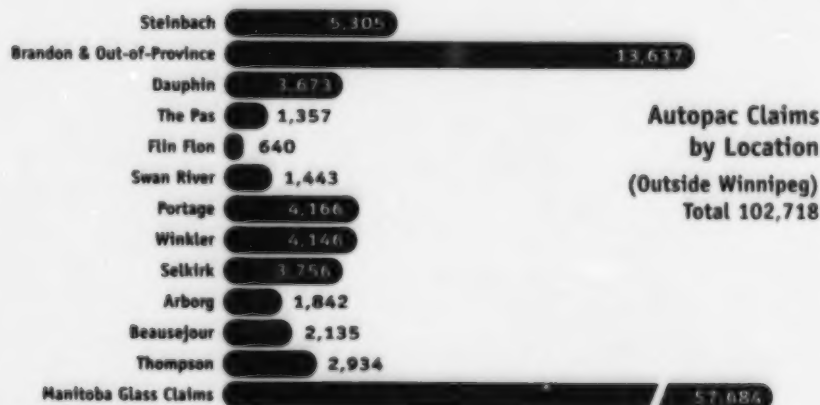
Claims costs increased from the previous year by \$16.4 million.

Injury claims increased compared to the previous year by \$7.1 million, due to a decrease in public liability claims incurred of \$25.5 million and an increase in PIPP benefits of \$19.8 million. Injury claims costs for the year also included a \$12.8 million increase in pre-March 1994 accident benefits due to an actuarial review of the Corporation's claim liabilities.

Physical damage claims costs increased by \$9.3 million compared to last year. Property damage and collision claims costs increased by \$6.3 million. Comprehensive claims costs increased by \$3.0 million.

Vehicle thefts increased from the previous 12-month period from 8,770 to 9,545. Total theft claim costs for the period totalled \$20.6 million.

Operating expenses for Basic and Extension Autopac totalled \$89.2 million, compared to \$86.1 million last year. This figure includes costs associated with regulatory and appeal processes, investment in information technology, road safety initiatives, commissions and premium taxes.



# Financial Results for Operations

(continued)

## Special Risk Extension

Net income from SRE operations for the 12-month period totalled \$14.2 million, compared to \$7.5 million last year. This includes premium revenue of \$31.0 million and investment income of \$9.1 million, offset by claims costs, expenses, commissions, premium taxes and regulatory/appeal costs totalling \$25.9 million.

## Discontinued Operations

MPI withdrew from reinsurance assumed operations in 1987, and ceased offering personal and commercial lines policies as of October 1, 1990. All personal and commercial lines policies had expired by September, 1991.

Discontinued operations showed a net income of \$0.5 million for the year.

## Investment Income

After vehicle and driver premiums, the major source of revenue for MPI is investment income. This income, earned from investment of funds not immediately needed to pay claims, reduces the Corporation's premium requirements.

The Corporation's investments in the community, with a portfolio consisting mainly of provincial, municipal, hospital and school bonds and debentures, benefit Manitobans from the infrastructure and facilities constructed, in part, because of the availability of these funds.

The Corporation earned total investment income of \$77.2 million for the fiscal year, an increase of \$2.9 million over last year.

This fiscal year witnessed continued strengthening of the Corporation's financial position. The Corporation's investment portfolio remains solid, and its ability to provide customers with the best possible products and service, as well as to meet all its current and future financial obligations, continues to be reinforced by streamlined business practices and a strong commitment to fiscal responsibility.

## Injury Claims

Type of Claim	1999	1998	1997	1996	1995
Chronic Pain	351	125	141	275	202
Fatal	161	149	126	111	111
Brain Damage	52	35	36	29	61
Quadriplegic	2	1	4	1	4
Paraplegic	8	1	4	1	7
Broken Limbs	660	468	480	491	500
Whiplash	8,285	6,977	6,538	7,820	9,193
Bruising/Lacerations	1,023	1,525	1,274	1,178	1,736
Other	2,399	2,593	1,736	1,603	2,089
Totals	12,941	11,874	10,319	12,511	18,963

# 1999 Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgements which have been reached based on careful assessment of data available through the Corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

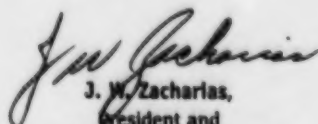
The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists primarily of Directors not involved in the daily operations of the Corporation.

The general responsibilities of the Audit Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Audit Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

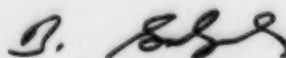
The Audit Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and their fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the Corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

Arthur Andersen LLP, the Corporation's appointed external auditors, have audited the financial statements. The Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the Corporation in accordance with Canadian generally accepted accounting principles.



**J. W. Zacharias,**  
President and  
Chief Executive Officer

April 27, 2000



**B. W. Galenzoski,**  
Vice-President Corporate Finance  
and Chief Financial Officer

April 27, 2000



# 1999 Financial Statements

## Auditors' Report

To the Board of Directors of Manitoba  
Public Insurance Corporation:

We have audited the balance sheets of Manitoba Public Insurance Corporation as at February 29, 2000 and February 28, 1999 and the statements of operations and retained earnings and changes in cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at February 29, 2000 and February 28, 1999 and the results of its operations and the changes in its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Arthur Andersen LLP*  
Winnipeg, Manitoba  
April 27, 2000

## Actuary's Report

To the Board of Directors of  
Manitoba Public Insurance  
Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 29, 2000 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

*James K. Christle*  
James K. Christle  
Fellow, Canadian Institute of Actuaries  
April 27, 2000



# 1999

## Financial Statements

	Years ended February 29/28	
	2000	1999
	(in thousands of dollars)	
<b>Revenue</b>		
Premiums written	\$ 529,694	\$ 502,320
Premiums earned (Note 7)	\$ 520,023	\$ 495,874
Service fees	15,462	13,347
<b>Total earned revenues</b>	<b>535,485</b>	<b>509,221</b>
<b>Claims Costs</b>		
Claims incurred (Note 7)		
Current year	412,790	395,381
Prior years (Note 9)	(13,489)	(3,067)
	399,301	392,314
Claims expense	60,081	54,007
	459,382	446,321
<b>Expenses</b>		
Commissions	29,406	27,636
Operating	45,589	43,496
Premium taxes	15,923	15,232
Regulatory/Appeal	1,699	1,906
Road Safety	6,952	6,283
	99,569	94,553
<b>Total claims and expenses</b>	<b>558,951</b>	<b>540,874</b>
Underwriting loss	(23,466)	(31,653)
Investment income, net (Note 10)	74,377	71,561
Net income before the undemoted	50,911	39,908
Discontinued operations (Note 11)	517	(1,648)
<b>Net income for the Year (Note 12)</b>	<b>\$ 51,428</b>	<b>\$ 38,260</b>

### Statement of Operations

# 1999 Financial Statements

## Balance Sheet

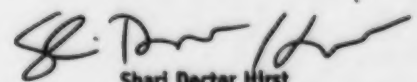
### Assets

	2000	February 29/28 1999 (in thousands of dollars)
Cash and investments (Note 4)	\$ 1,056,602	\$ 958,866
Due from other insurance companies	73	737
Accounts receivable	127,597	127,265
Deferred policy acquisition costs	18,345	20,611
Reinsurers' share of unearned premiums	8,744	8,768
Reinsurers' share of unpaid claims (Note 9)	36,121	33,989
Capital assets (Note 5)	20,550	22,525
Deferred development costs	15,985	14,742
	<b>1,284,017</b>	<b>1,187,503</b>

### Liabilities, Basic Insurance Rate Stabilization Reserve and Retained Earnings

Due to other insurance companies	9,047	9,125
Accounts payable and accrued liabilities	19,764	20,318
Provision for pension (Note 6)	66,491	63,427
Unearned premiums	266,604	256,509
Provision for employee benefits	16,071	12,796
Provision for unpaid claims (Note 9)	722,143	684,992
	<b>1,100,120</b>	<b>1,047,167</b>
Basic insurance rate stabilization reserve	104,893	64,379
Retained earnings	79,004	75,957
	<b>183,897</b>	<b>140,336</b>
	<b>\$ 1,284,017</b>	<b>\$ 1,187,503</b>

Approved by the Board:



Shari Decter Hirst  
Chairperson



Paul Moist  
Director

# 1999

## Financial Statements

	Years ended February 29/28	
	2000	1999
	(in thousands of dollars)	
Balance beginning of year	\$ 75,957	\$ 79,564
Net income (loss) for the year (Note 12)	10,914	(3,607)
Repayment to the Province of Manitoba (Note 14)	(7,867)	—
<b>Retained earnings balance end of year</b>	<b>\$ 79,004</b>	<b>\$ 75,957</b>

### Statement of Retained Earnings

	Years ended February 29/28	
	2000	1999
	(in thousands of dollars)	
Balance beginning of year	\$ 64,379	\$ 22,512
Net income for the year (Note 12)	40,514	41,867
<b>Basic insurance rate stabilization reserve balance end of year</b>	<b>\$ 104,893</b>	<b>\$ 64,379</b>

### Statement of Basic Insurance Rate Stabilization Reserve

# 1999 Financial Statements

## Statement of Cash Flows

	Years ended February 29/28	
	2000	1999
	(in thousands of dollars)	
<b>Resources provided from (applied to) Operations</b>		
Net income for the Year	\$ 51,428	\$ 38,260
Discontinued operations	(517)	1,648
Non-cash items:		
Amortization of capital assets and deferred development costs	9,813	8,895
Amortization of bond discount and premium	6,264	5,985
Gain on sale of investments	(68)	(1,395)
	<u>66,920</u>	<u>53,393</u>
Increase (decrease) in cash and short-term investments from discontinued operations	(1,691)	3,690
Net change in non-cash balances	<u>54,936</u>	<u>50,696</u>
	<u>120,165</u>	<u>107,779</u>
<b>Resources provided from (applied to) Investing Activities</b>		
Acquisition of capital assets net of proceeds from disposals	(2,784)	(4,701)
Purchase of investments	(418,287)	(377,744)
Proceeds from sale of investments	315,075	321,997
Deferred development costs incurred	(6,296)	(6,438)
	<u>(112,292)</u>	<u>(66,886)</u>
Repayment to the Province of Manitoba (Note 14)	(7,867)	0
<b>Increase in Cash and Short-Term Investments</b>	<u>6</u>	<u>40,893</u>
Cash and short-term investments beginning of year	<u>66,202</u>	<u>25,309</u>
<b>Cash and Short-Term Investments end of year (Note 4)</b>	<u><b>\$ 66,208</b></u>	<u><b>\$ 66,202</b></u>

# Notes to Financial Statements

## 1. Status of the Corporation

The Manitoba Public Insurance Corporation was incorporated as a Crown Corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies.

## 2. Basis of Reporting

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The actuary, in his verification of the information prepared by the Corporation used in the valuation, also uses the work of the auditors.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the Corporation's policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

## 3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

### Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

### Investments

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond. Funds available for investments are invested by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down when there is a decline in value that is considered other than temporary.

The Corporation has invested in an equity linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any gains or losses arising from changes in the index are recorded currently in the Statement of Operations under the heading "Investment income, net".

### Total Return Swaps

The Corporation invests in total return swaps as part of its investment strategy to provide limited exposure to certain equity markets. Total return swaps are financial instruments whose value is derived from an underlying financial instrument, product or index. Total return swaps are recorded at fair value at the balance sheet date and presented under the heading "Cash and investments". Any gains or losses arising from changes in fair value are recorded currently in the Statement of Operations under the heading "Investment income, net".

### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight line basis which will amortize the cost of each asset over its estimated useful life:

Buildings	40 years
Equipment:	
• Data processing	3 years
• Automotive	5 years
• Other	10 years
Land improvements	25 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

## Notes to Financial Statements

### Deferred Development Costs

The costs of developing major information systems which are expected to be of continuing benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight line basis over five years.

### Pension Plan

The employees of the Corporation are subject to the Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to future investment returns, salary changes, withdrawals and mortality rates. Experience gains and losses are amortized over the expected average remaining service life of the employee group.

### Provision for Employee Benefits

The provision for employee benefits includes an accrual for post retirement extended health, vacation pay and severance pay.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected unit credit actuarial cost method which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire. The resulting provision is amortized over the expected average remaining service life of the employee group.

The provision for post retirement extended health benefits is actuarially determined on an annual basis using the projected unit credit actuarial cost method which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

### Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

### Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period. The provision does not consider the time value of money and does not contain an explicit provision for adverse deviation except for long-term disability, income replacement and personal care claims.

### Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

### Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums. In calculating a premium deficiency, the Corporation recognizes anticipated investment income.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

### Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and the discontinued general insurance division on the following basis:

- i) Identifiable direct expenses are charged to each division.
- ii) Where direct allocation is not possible, expenses are prorated to each division based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

### Reinsurance Ceded

Premiums, claims and expenses reported in the statement of operations are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used by the Corporation in determining deferred premium acquisition costs.



## Notes to Financial Statements

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used by the Corporation in determining the unearned premium liability.

### Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

### Basic Insurance Rate Stabilization Reserve

The basic insurance rate stabilization reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

### Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the extension, special risk and discontinued lines of businesses.

### Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## 4. Cash and Investments

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands of dollars)			
Cash and short-term investments	\$ 66,208	\$ 66,208	\$ 66,202	\$ 66,202
Bonds				
Federal	110,750	110,693	53,105	54,437
Manitoba:				
Provincial	37,546	38,035	33,714	34,747
Municipal	95,285	100,692	93,100	102,077
Hospitals	19,040	19,052	21,087	21,087
Schools	223,647	223,647	204,274	204,274
Other Provinces	351,153	353,125	371,293	387,003
Corporation	67,764	65,683	70,857	70,465
Equity linked note	20,000	20,000	—	—
	925,185	930,927	847,430	874,090
Other	4,401	4,401	4,488	4,488
Equity investments and total return swaps	60,808	76,014	40,746	42,618
	65,209	80,415	45,234	47,106
	<b>\$1,056,602</b>	<b>\$1,077,550</b>	<b>\$ 958,866</b>	<b>\$ 987,398</b>

Fair value, for cash and short-term investments, approximate carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity investments is based upon quoted market values. External fund managers have been allocated a proportion of the Corporation's investment pool to invest in equity markets with an objective of generating a long term return of 1.5 per cent over the benchmark indices.

The fair value of the portfolio of total return swaps is based upon market prices of the underlying stock market indices at the balance sheet date, net of estimated unwinding costs.



# Notes to Financial Statements

## Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The Corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs. Credit risk is also managed through the use of master netting agreements in all total return swap contracts. Such agreements provide for the simultaneous close-out and netting of transactions with a counterparty in the event of default.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

### i) Cash and short-term investments

Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of \$2,646,000 (1999 - \$4,217,000).

Short-term investments have a total principal amount of \$64,430,000 (1999 - \$70,417,000) comprised of provincial short-term deposits with effective interest rates of 4.90% to 5.05% (1999 - 4.80% to 5.03%), with interest receivable at varying dates.

### ii) Bonds - interest rate risk

		2000		1999	
Interest Receivable Basis		Effective Rate	Coupon Rate	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	5.85 to 6.29	6.50 to 10.00	4.98 to 8.17	7.25 to 10.00
Provincial	semi-annual	5.66 to 9.26	4.75 to 11.25	4.57 to 10.50	5.50 to 11.25
Municipal	semi-annual	5.59 to 17.43	6.00 to 18.50	5.54 to 18.50	6.25 to 18.50
Hospitals	semi-annual	9.92 to 15.78	10.13 to 16.00	9.02 to 15.75	10.13 to 16.00
Schools	semi-annual	5.66 to 14.12	5.75 to 14.75	5.88 to 14.75	5.88 to 14.75
Corporations	semi-annual	5.66 to 6.85	5.25 to 9.65	5.08 to 6.05	5.20 to 9.65

The Corporation has allocated investments with an average yield of 10.6% (1999 - 10.6%) to maturity to fully fund pre-March 1, 1994 discounted unpaid claims of approximately \$32.6 million.

### iii) Bonds - maturity profile

		2000		
	Within One Year	After One Year to Five Years	After Five Years	Total Carrying Value
(in thousands of dollars)				
Federal	\$ 9,488	\$ 85,080	\$ 16,182	\$ 110,750
Manitoba:				
Provincial	11,566	6,515	19,465	37,546
Municipal	15,118	35,065	45,102	95,285
Hospitals	179	3,298	15,563	19,040
Schools	—	8,706	214,941	223,647
Other Provinces	23,196	92,288	235,669	351,153
Corporations	8,986	18,630	40,148	67,764
	68,533	249,582	587,070	905,185
Equity Linked				
Note Provincial	—	—	20,000	20,000
	\$ 68,533	\$ 249,582	\$ 607,070	\$ 925,185

# Notes to Financial Statements

## 1999

	Within One Year	After One Year to Five Years	After Five Years	Total Carrying Value
	(in thousands of dollars)			
Federal	\$ 5,728	\$ 47,377	\$ —	\$ 53,105
Manitoba:				
Provincial	9,389	15,936	8,389	33,714
Municipal	305	48,870	43,925	93,100
Hospitals	197	3,789	17,101	21,087
Schools	—	3,451	200,823	204,274
Other Provinces	15,025	89,688	266,580	371,293
Corporations	10,658	22,842	37,357	70,857
	<b>\$ 41,302</b>	<b>\$ 231,953</b>	<b>\$ 574,175</b>	<b>\$ 847,430</b>

### Total Return Swaps

In the normal course of operations, the Corporation enters into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 29, 2000 the notional amount of total return swaps was \$27,950,000 (1999 - \$34,473,000). All total return swaps have a residual term to contractual maturity of one year or less.

## 5. Capital Assets

	2000		1999
	Cost	Accumulated Amortization	Carrying Value
	(in thousands of dollars)		
Land	\$ 1,687	\$ —	\$ 1,687
Land improvements	2,766	1,013	1,753
Buildings	16,776	6,486	10,290
Equipment	32,886	26,174	6,712
	54,115	33,673	20,442
Leasehold improvements	1,527	1,419	108
	<b>\$ 55,642</b>	<b>\$ 35,092</b>	<b>\$ 20,550</b>
			<b>\$ 22,525</b>

## 6. Provision for Pension

The actuarial present value of accrued pension benefits is \$55.6 million (1999 - \$52.0 million) resulting in an unamortized experience gain of \$10.9 million (1999 - \$11.4 million).

# Notes to Financial Statements

## 7. Reinsurance

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 29, 2000, these reinsurance agreements limit the Corporation's exposure to a maximum amount of \$1.0 million (1999 - \$1.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of \$5.0 million (1999 - \$5.0 million). These arrangements protect the Corporation against losses up to \$200.0 million (1999 - \$200.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

The figures shown in the statement of operations excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies:

	2000	1999
	(in thousands of dollars)	
Premiums earned	\$ 10,748	\$ 11,850
Claims incurred	\$ 4,390	\$ 1,751

The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of \$4.1 million (1999 - \$3.1 million).

## 8. Operating Lease Commitments

The Corporation is committed to make payments during the next eight years on buildings and equipment leased for periods of more than one year. The aggregate annual rental of approximately \$3.4 million represents the commitments under the leases, which expire at varying dates to February, 2008.

## 9. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2000		1999	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
	(in thousands of dollars)			
<b>Automobile Insurance Division</b>				
Liability	\$ 652,441	\$ 35,820	\$ 604,555	\$ 31,882
Physical Damage	55,791	—	64,814	1,730
	708,232	35,820	669,369	33,612
<b>Discontinued Operations</b>				
Personal/Commercial	9,793	301	10,494	377
Reinsurance Assumed	4,118	—	5,129	—
	13,911	301	15,623	377
	<b>\$ 722,143</b>	<b>\$ 36,121</b>	<b>\$ 684,992</b>	<b>\$ 33,989</b>

## Notes to Financial Statements

The provision for unpaid claims includes \$323.3 million (1999 - \$265.1 million) in unpaid long term disability claims, income replacement and personal care claims. This provision is discounted to reflect the time value of money using an interest rate of 3% for three years and 2% thereafter for Personal Injury Protection Plan claims and 8% for 11 years and 5% thereafter for pre-Personal Injury Protection Plan claims.

Net claims incurred and adjustment expenses include losses relating to catastrophes of \$0.8 million during the current fiscal year (1999 - Nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at a value which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 29, 2000 for prior years are:

	Accident Years				Total
	1999	1998	1997	1996 and Prior	
	(in thousands of dollars)				
<b>Net unpaid claims</b> (valuation estimate as at February 28, 1999)	\$ 201,227	\$104,098	\$ 64,283	\$ 266,150	
Net payments for the year	60,387	12,129	6,201	55,276	
	140,840	91,969	58,082	210,874	
<b>Net unpaid claims</b> (revised valuation estimate as at February 29, 2000)	103,497	84,370	57,805	242,604	
(Redundancy) Deficiency	\$ (37,343)	\$ (7,599)	\$ (277)	\$ 31,730	\$ (13,489)
Prior years (redundancy) deficiency		\$ (25,860)	\$ (3,440)	\$ 26,233	\$ (3,067)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total \$74.4 million (1999 - \$68.8 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims, for discontinued operations, recognized during the fiscal year ended February 29, 2000 are \$625,000 (1999 - \$2,200,000). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

### 10. Investment Income

	2000	1999
	(in thousands of dollars)	
Total investment income	\$ 77,177	\$ 74,317
Less allocation to:		
Discontinued Operations	165	396
Provision for pension	2,635	2,360
Investment income, net	\$ 74,377	\$ 71,561

### 11. Discontinued General Insurance Operations

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990. Claims costs and expenses on discontinued operations will be incurred until all claims on existing treaties and policies are settled. Discontinued operations resulted in a net income of \$0.5 million in 2000 (net loss of \$1.6 million in 1999). Included in the provision for unpaid claims is \$13,911,000 (1999 - \$15,623,000) relating to discontinued operations.

## Notes to Financial Statements

### 12. Net Income for the Year

The net income (loss) for the year by line of business is:

	2000	1999
	( in thousands of dollars)	
Basic insurance	\$ 40,514	\$ 41,867
Extension insurance	(3,781)	(9,503)
Special risk extension	14,178	7,544
Discontinued operations	517	(1,648)
	10,914	(3,607)
Net income for the year	\$ 51,428	\$ 38,260

### 13. Fair Value Disclosure

The fair value of financial assets and liabilities, other than cash and investments (note 4) and provision for unpaid claims (note 9) approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

### 14. Repayment to the Province of Manitoba

The Province of Manitoba, in the Appropriation Act, 1988, authorized the funding of the October 31, 1987 deficit of the General Insurance Division's Personal and Commercial operations in the amount of \$26,867,000 with no obligation for repayment by the Corporation. On March 31, 1994, the Corporation repaid \$19,000,000 and on March 9, 1999 the remaining \$7,867,000 was repaid to the Province of Manitoba.

### 15. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.